

## Assumptions and Sensitivity Analysis

| Variable                      | Assumption   | Rationale  | Sensitivity Analysis   |                                 |
|-------------------------------|--|--|--|---------------------------------|
|                               |  |  | Change   | Impact<br>(over 30 yrs,<br>NPV) |
| Attendance                    | NBA: 12,180/gm<br>NHL: 11,144/gm   | Conservative Estimate. League avg. over past 8 yrs is 13,800. Sonics avg. 13,600 in last 5 yrs   | 1,500 less per game NBA;<br>1,400 less per game NHL            | -\$5.5 million                  |
| Ticket Price<br>(NBA and NHL) | \$55 Average<br>(Includes premium seats)                                 | NBA league average in 10/11 \$63. NHL was \$59 in 09/10. Opening ticket prices will be below league average when arena opens   | \$45   | -\$10 million                   |
| Ticket Inflation              | NBA, NHL: 1.67% /yr<br>Concert: 2.00%/yr                                 | League increased 9.4% from 05/06 to 10/11 (1.88%). Long run estimates for inflation are around 2%.   | 1.17%/yr   | -\$4.5 million                  |
| Concession Price<br>Inflation | 2%   | Long run estimates for inflation are around 2%.  | 1.5%   | -\$300K                         |
| Playoffs                      | Model assumes no playoffs  | Conservative estimate  | Playoff every 4 yrs;<br>2 home games/yr                        | +\$ 1.5 million                 |
| Lockout                       | Model assumes no lockout   | Both NBA and NHL had recent lockouts (NBA 98/99, 11/12; NHL 94/95, 04/05). Durations will vary.  | 3 lockouts over 30 yrs;<br>25% loss of revenue for those years | -\$1.8 million                  |
| Minor Events                  | Includes college and HS sports, family shows, rentals, etc               | Facility has capacity for more than 105 events over 12 months  | No minor events  | -\$4 million                    |
| Concert<br>Attendance         | 10 major concerts per year, 90% attendance;<br>0 minor concerts per year | Less than half of anticipated major concerts.  | Lower attendance by 5% per event                               | -\$0.6 million                  |
| Intangible Rev.               | TV and Other Revenue   | Average amount for NBA and NHL   | 50% less   | -\$5 million                    |
| Substitution                  | 0%   | Likely that Key Arena will face increased competition for events in the future from a venue somewhere in the region. Impact on other admissions tax is material only if spending was previously subject to city admissions tax. City does not receive admission tax on NFL, MLB, or MLS. | 15% substitution   | -\$8.6 million impact           |

## Optimistic and Pessimistic Projections

| Variable   | Optimistic                              | Pessimistic                             |
|--|---|---|
| Average Attendance (NBA / NHL)   | 13,700 / 12,500                         | 10,650 / 9,750                          |
| Ticket Prices  | Plus \$10 each tier                     | Minus \$10 each tier                    |
| Ticket Price Growth  | 2%                                      | 1%                                      |
| Playoffs   | 2 more games every 4 years              | None                                    |
| Lockout  | None                                    | 3 times in 30 yrs for each league       |
| Minor Events   | Perform as base model                   | No minor events                         |
| Average Major Concert Attendance   | 17,500                                  | 15,675                                  |
| Intangible Revenue   | +25%                                    | -25%                                    |
| Substitution   | None                                    | 15%                                     |
| <b>Tax Revenue NPV<br/>(\$124 million in base model)</b>   | <b>\$156 million NPV</b>                | <b>\$82 million NPV</b>                 |
| <b>Maximum annual change in team financial obligation to City / County over 30 years<br/>(\$9 million in base model)</b> | <b>\$2.3 million less vs base model</b> | <b>\$1.6 million more vs base model</b> |